

TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE



**FISCAL NOTE**

**HB 1872 - SB 1836**

February 19, 2016

**SUMMARY OF BILL:** Enacts the Annual Coverage Assessment Act of 2016, which establishes an annual coverage assessment on hospitals of 4.52 percent of a covered hospital's annual coverage assessment base.

**ESTIMATED FISCAL IMPACT:**

**Increase State Revenue - \$449,800,000/FY16-17/**

**Maintenance of Coverage Trust Fund**

**Increase State Expenditures - \$449,800,000/FY16-17/**

**Maintenance of Coverage Trust Fund**

**Increase Federal Expenditures - \$823,584,200/FY16-17/**

**Maintenance of Coverage Trust Fund**

Revenue recognition in the amount of \$449,800,000 is included in the Governor's proposed FY16-17 budget (page A-39). Corresponding non-recurring appropriations in the amount of \$1,273,384,200 (\$449,800,000 in state funds and \$823,584,200 in federal matching funds) are also included.

**Assumptions:**

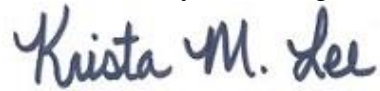
- Based on information provided by the Bureau of TennCare, the 4.52 percent annual coverage assessment on hospital net revenues (as reported to CMS) will result in an increase in revenue to the Maintenance of Coverage Trust Fund (MCTF) of \$449,800,000.
- A total of \$16,000,000 will be provided to the critical access hospitals. Of this amount, \$6,000,000 will be 100 percent state funds and will not receive a federal match because it is above the limit within the federal waiver.
- According to the Bureau, \$443,800,000 (\$449,800,000 - \$6,000,000) will be expended at a state rate of approximately 35.017 percent and will receive federal matching funds at a rate estimated to be 64.983 percent. The resulting increase in federal funds will be approximately \$823,584,200.
- The total increase to the MCTF is approximately \$1,273,384,200 (\$443,800,000 + \$6,000,000 + \$823,584,200).
- According to the Governor's FY16-17 proposed budget, on page A-39, approximately \$729,173,100, (\$255,334,600 state + \$473,838,500 federal) of the \$1,273,384,200 in the

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MCTF will be expended towards maintaining budget reductions and \$544,211,100 (\$194,465,400 state + \$349,745,700 federal) will be expended towards hospitals for unreimbursed costs of providing services to TennCare enrollees.

**CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in blue ink that reads "Krista M. Lee". The signature is written in a cursive, flowing style.

Krista M. Lee, Executive Director

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